

**MOTION BY SUPERVISORS MARK RIDLEY-THOMAS AND
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May 18, 2010

Reducing the Interest Rate for Property Assessed Clean Energy Bond Programs

On May 25, 2010, the Board of Supervisors will consider adopting a Resolution of Intention to implement the Los Angeles County Energy Program. This program will allow Los Angeles County (County) to provide financing for renewable energy and energy efficiency improvement projects for qualified property owners through their property tax assessment. The implementation of this program is anticipated to have profound impacts in reducing the collective climate footprint of the County while simultaneously creating jobs in the retrofit, workforce development, local manufacturing and product distribution sectors.

Unlike traditional lines of credit, the benefits of financing these improvements through property tax assessments are that the loan will stay with the property and will not impact the individual's credit report. However, the financing of the program is predicated on the issuance of bonds secured by contractual assessment revenues. In order for this program to be well-utilized, the County must be able to provide financing for improvements at a competitive interest rate. While the exact interest rate offered will not be known until the bond is issued following the adoption of the program, preliminary estimates indicate that the initial interest rate for individual borrowers could be as high as 9 or 9.5% per annum.

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There are two opportunities to potentially reduce the interest rate for Property Assessed Clean Energy Bond Programs: 1) make the loans tax-exempt or 2) use Build America Bonds. Both options could reduce the interest rate by as much as 2 or 3%, making the financing much more attractive and viable for interested property owners. Federal legislation would be required to accomplish this change of policy.

Additionally, program participants will benefit from the utilization of federal home retrofit rebates proposed under HomeStar. HomeStar establishes a \$6 billion rebate program to encourage immediate investment in energy-efficient appliances, building mechanical systems and insulation, and whole-home energy efficiency retrofits. Passage of the HomeStar legislation will create jobs in existing industries by providing strong short-term incentives for energy efficiency improvements in residential buildings. On May 6th, HomeStar legislation was passed by the House of Representatives and the key provisions of that bill should now be approved by the Senate forthwith.

WE THEREFORE MOVE THAT THE BOARD OF SUPERVISORS:

- 1) Support Federal legislation which would reduce the interest rate for loans provided to property owners for renewable energy and energy efficiency improvement projects, such as through Federal tax-exempt financing or tax credits, and which would provide Federal funding or tax incentives for property owners to make energy efficiency improvements and to reduce energy usage and costs, such as through energy retrofit rebates, as proposed under the House-passed HomeStar legislation: and
- 2) Instruct the Chief Executive Officer, Internal Services Department, and the County's Washington, D.C. advocates to pursue the enactment of such legislation.

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